

LEGAL CHAIN LETTER

Here is a concept that can build a huge cash flow in a short period of time, and create a business that could become one of the major mail order operations in the country. The concept is to provide groups with a simple way to raise funds that will appeal to members and not involve them in door-to-door selling or putting on events that are hard work and time consuming, and at the same time can raise substantial amounts of money for the club, with little work or effort on the part of the members.

For lack of a better name, I will call this concept Postal Parties. It is a sponsored mail order selling program whereby members of groups send a merchandise offer to their relatives and friends anywhere in the country, offering them a product they can use and a chance to win a valuable prize. It would work something like this: You offer the product and a system for members to mail the offer, to buy the product, to people they know. When the order is received by you, you credit a portion of the order to the group, fill the order and mail it back to the person placing the order. When the person sends in the order they have a chance to win a valuable prize in a sweepstakes contest you sponsor. This program becomes self-seeding in that those that order the product receive a brochure in their package that offers them the same program to raise money for their group. Since they know it worked for a relative or friend of theirs, they will tell their own group about the program and some will participate. Thus, after you get a few groups to try the plan, you won't have to advertise or promote to other groups, as your brochure will bring in more sponsors and more business automatically. That is the chain letter feature of this program; once the chain is started, it just gets longer without any effort on your part. Unlike a chain letter, you get all the money, less sponsor fees, that is generated.

Why is this concept valid? It is a proven concept in two respects: First, many firms are making a lot of money selling products through fund-raising groups. They ship the product to groups on open account, and the groups sell what they can, send in the money for those sold, and return the unsold portion

for credit. The concept of raising money for worthy causes by product sales is valid and going on all the time. The second feature, sending letters to others to raise money, is the standard method used by larger groups to solicit funds. Fund-raising by mail is the keystone of the charity industry. All this program does is put the two concepts together, and make it easy for groups to raise money. Under this plan they don't have to have any product shipped to them, they don't have to ask members to get out and sell something locally, they don't have to keep books or bother with sending in money owed. All they have to do is order some kits their members send out by mail. The kits cost them nothing, and they take no risk in trying the plan.

The Product

Here's my idea of how you can structure this plan. This is not to be taken as the only way to do this, but a suggested starting place for your thinking about this program. First of all, the product. This is important; it should be a product that everyone can use. Stay away from esoteric junk that few people really want. While you will get orders for this because of the power of the program, it leaves the buyers cold and will cut down on sponsorship levels. So always try to have a useful product.

A second thought about the product is that you should control it. That is, you should make the product or have enough control over the source of the product to be sure that you can get enough to fill orders. When this thing starts to roll, you'll be selling your product in millions of units every year, and if you are constantly trying to get inventory or always falling behind in shipments, you will destroy yourself. I would suggest an excellent starting product would be name and address labels. Everyone can use these, and even if they have some on hand, they don't feel bad about ordering an additional supply. Address labels can be manufactured inexpensively with a modest amount of equipment. You need a printing press; a small offset press such as an AB Dick 360 or Multilith would handle your initial

orders nicely. You need a typesetting device such as a Compugraphic Typesetter, which can be obtained inexpensively on the used market, a programmed cutter, and some padding racks. A programmed cutter is one with a memory device that automatically instructs the cutter to move from cut to cut. Padding racks are simple wooden devices used to put pressure on a stack of paper loaded into them. Then an adhesive solution is painted on the exposed surface, holding all the pieces of paper together in a pad. Since address labels are small, you can print them 100 at a time, that is, 100 different names on each sheet, on a small printing press. Since the press will run about 5,000 impressions an hour, if you sold the labels in lots of 1,000, your press could produce 500 different orders per hour. You could print 4,000 orders a day, working with the equipment I just mentioned.

You can choose other products if you don't want to control your own, but be sure that you can get enough product to meet your order level. Here's a concept for a product that once you get this thing rolling, and you're dealing in millions of units a year, will give you a tremendously attractive product with practically no limit on the number of them you can produce, and that is to work with major manufacturers in printing up books of cash rebate coupons on their products. Now these manufacturers are spending millions of dollars to distribute these coupons by printing them in magazines and putting newspaper inserts and all other ways, and if you offer them a way to distribute millions of their coupons at no cost to them, they would jump at the chance. You could put together a book of coupons that would have 50 to 100 dollars worth of cash rebates involved. If it sold for 3 dollars it would be a tremendous bargain to all the people receiving it, and would help groups raise funds, and generate not only more business for the manufacturers, but a lot of good will from the fund-raising groups. In addition to that, they get the effective sponsorship of these groups for their products, something they can't buy for any amount of money. Once you got started this would be a product you could promote and produce year after year, having repeat offers going out through all your clubs and organizations.

The product appeal is important. It should appeal to women, because they will represent 90% of your business. You will also want to keep the product cost at around \$5 or under, and because you are

dealing primarily with women, you do have a somewhat wider range of product choices than if you were dealing with men. You can use personal products, household products, gardening products and the like. Since you are going to be dealing by mail, be sure that the products can be delivered efficiently by mail, are not too heavy, bulky, or easily damaged in shipment.

The Sweepstakes Concept

The kicker in the program is the Sweepstakes Contest. By offering some substantial prizes, such as overseas vacation trips, cars, silver settings, diamond rings, mink coats, high fashion wardrobes and the like, you can get some real excitement into this program. To find out the best type of prizes to offer, you can use a sweepstakes consulting organization to develop your program, and you could also study the sweepstakes offers of major firms such as Reader's Digest, Publishers Clearing House, and those you see in the women's magazines. If you study their prizes, they've done a lot of research at some expense to discover which are the most appealing, and you can follow their lead and save the research costs.

Your best bet in developing a sweeps contest is to use a firm who specializes in them, as I said, and I'll give you some names at the end of this article.

The Double Prize Concept

Here's a gimmick you can use in the sweeps contest to inspire club members to send out more letters with the product offer than they might without this inducement. You could put in a rule that whoever wins this sweepstakes prize will have a sponsor. That sponsor will be the person who sent them the offer. The sponsor wins the same prize as the winner. Thus, if you are giving away a Rolls Royce, and one lady wins it, the lady who sent her the offer also wins a Rolls Royce. Now this concept will make it easier for you to get new sponsors through your brochure recruiting program, by reminding the person receiving the order that if they belong to a group who will become a sponsor, they can have as many additional chances to win the prize as the letters they send out.

So the structure is a useful product, offered by mail, with a chance to win a sweepstakes prize,

either by ordering a product, or sending a letter offering the product.

The Solicitation Piece

The piece the member sends out to get orders can be very simple. My concept is simply printed on an 8½ x 11 sheet of paper, folded into three sections, and on the flap of the piece when they pull it out of the envelope is a place for a general statement by the sender as to the reason they are sending it, and any little personal notes or things that they want to write to a friend or relative. Then when they open it up, there's a general statement about helping others through charity, and this would also act as the order form. When the sheet is fully opened, there would be the sweepstakes prizes, plus a picture and brief description of the product. This should be in full color, and professionally prepared. That is all you need to get the orders rolling in. Look at this again: Here you have one piece of printed and folded paper and some reply envelopes, the club orders as many of these as they need, and you can suggest at least 25 for each member, and the members mail them in their own envelope and pay their own postage. So you have only the cost of the printed matter and the shipping cost of sending that printed matter to the club, who distributes it to the members, as your mailing expense. I will guarantee you that no one will get into the mail cheaper than that.

The expected returns from these offers should run easily 50 to 80% of those mailed out. Remember this: A request is coming from a friend, neighbor or relative, there is an implied obligation to order. No amount of copyrighting can replace that personal request to place the order to help the group raise funds. The only big problem I can foresee is the stringing out of orders, but if you have members put a deadline on orders, then you can get the orders in much faster, and you can deliver the organization a commission: check on a specific date.

The standard commission offered by present firms using this product program is 50% to the club, but since you eliminate the need for handling products, unpacking and packing, selling and sending in the money, you can probably do it for 40%. This gives you a 60% margin on a sale, and this should offer you a fine profit. The question of whether you are honest about sending them the money due might come up, and you can offer to send them a

computer print-out of all orders sent you from their mailings if they wish to have it. Each member can check and see who ordered and how many times they are qualified to win the sweepstakes prize. This will eliminate any question of whether you paid them what was due.

A word here about the computer: You will need one to keep track of everything you have promised. I would suggest that you have a method of imprinting the order forms with the group's I.D. number, and a place for each member to put an assigned number. When the order comes in, this becomes the customer's number, so when sweepstakes prizes are awarded, the sponsor's number will come up automatically to receive the duplicate prize.

Your sweepstakes offer can be advertised quite easily. You can make it for one year duration from the time you send out your first kits. This will give you ample time to amortize the cost of the orders. Since I suggested you offer the groups a 40% commission, you can use the additional 10% to amortize your sweepstakes cost. To get an idea of how this might work under optimum conditions, here's a pro forma estimate of what kind of funds you could have available for the sweepstakes offer. If you started out with a mailing to 1,000 groups and organizations offering them your plan, and just 1% agreed to try it, you would have a startup of 10 groups mailing out your circulars. Assuming the average group generates 500 orders, 10 groups would generate a total of 5,000 orders at \$3 each, or \$15,000 gross. You pay the groups 40% or \$6,000 in commissions, you allocate 10% or \$1,500 to your sweepstakes contest, which leaves you \$7,500 to fill orders and pay your overhead. We're going to assume that the cost of the product in the mail that covers all costs including overhead is \$1, so you have \$5,000 cost to fill orders, and you have a net profit of \$2,500 on your first cycle.

How The Chain Progresses

Let's assume that our plan for getting new clubs to participate works at the rate of ½ of 1% of all orders shipped. Ten groups would generate 5,000 orders, and ½ of 1% response to your pitch for new sponsors would bring 25 groups from the first mailing. This would mean that your gross business would increase in increments of 5 for each new

group of orders you filled. Of course they don't all come in on this schedule, but over a period of time they would average out that way.

Your second time around you would gross \$75,000, your third time around \$375,000, and your fourth time around over a million dollars. So you can see the potential of this, using the development program and the chain letter technique. Now your sweepstakes amortization would be cut off at some point because you would have more than enough money to cover the cost after probably the third cycle of groups handled. Another thing about the sweepstakes prizes, in the quantities you are going to be mailing out these brochures, you can make tremendous deals with manufacturers of products by giving them all the publicity they are going to get with pictures of their products in your sweepstakes prize circulars. You'll pay little or nothing for a lot of the prizes you offer.

The key to this, of course, is getting those new sponsors so you get this tremendous increase in gross business. Here's the way I would put some real power into the brochure to get new groups to join the program. I would batch my orders, that is I would hold all orders coming in from a group until the cutoff date, then I would print and send out all orders at the same time. You're not going to get a lot of pressure about where are my orders because of the nature of the sale, in fact you can print right on the order form, "allow 6 to 8 weeks to receive your" labels or other products. There's a reason for this. First, I know how much money the group made from this program when I have a cutoff date and I have all the orders batched. Secondly, I can mail the orders in a custom-made envelope with a package for my labels and a place to put my brochure where I'm sure it's going to be seen. My idea is to use a computer letter in recruiting new groups in the brochure going out with each order. I would send a reproduction of the check the sponsoring group earned. I would tell the customer that she helped this group make all that money, and all the member did was send out our brochure. I would remind her that she has a chance to win the sweepstakes prizes and advise her if she does, the person who sent her the letter will win an identical prize. I would then point out by having her group sponsor the program, she would have as many additional chances to win the prizes as letters she got out to raise money for her club. In other words, I would make a powerful

pitch for sponsorship with every order shipped.

Finally, I would have a list of clubs who made the most money from the program and put them in as a P.S. in the letter. I'll guarantee you this type of letter will pull in sponsors. It would be a smart idea to have a toll-free phone number, or tell them to call collect to get more information. With thousands of these pitches going out every month, your chain letter effect will build, frankly until you can't handle any more groups.

Keep firmly in mind that this is a mass production deal and you have to have the volume to make it work. The brochure to get new sponsors is the key to doing this without having to maintain a separate program to constantly find new sponsors.

Your Banking Problems

You are going to have to find a banker who likes you, because you are going to be depositing thousands of little checks that must be processed. This kind of an account is not exactly a banker's dream, but when the banker discovers that you will be keeping large sums on deposit, he will come to tolerate you and perhaps even love you. Look for a banker who can see the potential of this deal and will be willing to work for you and with you in ways to cut costs.

A couple of things you can do: You can urge that they send cash with the order, because it is counted as only one item on a bank deposit, while each check is a single item. If you get money orders, you can batch them up and use them to pay for postage at the post office, and this cuts down on deposit items and saves bank charges.

Record-keeping should be computerized, and you should have a good accountant help you develop a good computer program, probably in his office, to handle it. The other thing you have to keep in mind is beating the thieves. As this business grows you are going to have more and more people opening mail and checking it for proper content. There are orders without money, envelopes with nothing in them, envelopes with money and no order, envelopes with not enough money or too much money, and all these have to be handled. A thief is going to figure out a way to start tapping the cash flow very quickly unless you put in some safeguards.

First of all, all employees who will be handling

cash fill out bonding forms. You don't necessarily have to have them bonded, but you don't tell them that. Have your accountants and purchasing people bonded, as they can really hit you hard, but order openers are going to clip you for a few dollars a day no matter what you do. You want to get somebody in who can tell you how to develop a good system for handling this without losing a great deal of money and causing a lot of headaches in the organization. I can assure you that no matter how stringent or how strict your system is, they are still going to beat you, but the idea is to make it as difficult as possible. It's absolutely necessary; don't laugh it off or think I'm overstating the case, employee theft is rampant today and getting worse. You have to think of all of them as potential thieves in order to keep a cash leak from springing up that might sink you.

Repeat Business

Here is how I see this program working out so that it becomes a regular event for thousands of clubs around the country. You start with one item, then have a second item ready to use. When the club has successfully raised money with your first item, you want to send them the offer on your second item with a new contest and even better prizes at perhaps a slightly higher price so they can make more money. After two or three single item cycles, you can start building a catalog of items they can use to get more money from their efforts. This should develop into a 3 or 4 times a year event for each group. They can send out Spring, Summer, Winter

catalogs to raise funds 2 or 3 times a year.

Doing this will give you a stable of groups who are actively using the program and raising money the easy way all year long. There is a huge potential cash flow to be developed here from a very modest start. If you move in cycles and increase your sponsorship, gross business and net profits in geometric jumps of 5 for each cycle, you are literally exploding. The potential is there, all you need is a product, mailing piece, and guts enough to give it a shot. This is something that works better in bad times than in good times, so the worse the economy gets, the better your action is going to be.

Other Sources Of Information

Here are some sources of further information: a book called, "The Grass Roots Fund-Raising Book" by Joan Flannagan, published by the Youth Project, 1000 Wisconsin Avenue Northwest, Washington, D.C. 20007, and its price at this writing was \$5.25. The standard books are "Design For Fund-Raising Principles, Patterns, and Techniques" by Harold J. Seymour, published by McGraw-Hill, and you can get that through your local library or the inter-library loan service. Then there is a tape on the value of sweepstakes, by a firm who organizes them, and the price for the tape is \$1.00. It's tape No. 16-0059JH from Direct Marketing, 224 7th Street, Garden City, New York 11530.

So there you have the basic concepts and some sources of information about a legal chain letter operation that can literally grow from a tiny start to a multi-million dollar operation in a very short time.